

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: MVP Health Insurance Company)	Docket No:
2015 AgriServices Rate Filing)	GMCB-019-14rr

MVPHIC'S MEMORANDUM IN LIEU OF HEARING

MVP Health Insurance Company (MVPHIC) hereby submits this Memorandum requesting that the Green Mountain Care Board (GMCB) adopt the recommendation of its actuary in the above captioned matter, and approve the rates as filed. MVPHIC has waived the hearing before the GMCB in this proceeding, which had been scheduled for October 6, 2014.

Introduction

On July 25, 2015, MVPHIC submitted its December 2014 AgriServices Association rate filing to the GMCB for review. On September 23, 2014 Lewis and Ellis (L&E), actuary for the GMCB, filed its actuarial opinion, recommending approval of the rates as filed. MVPHIC has waived the hearing. In the event the GMCB believes it will not approve the rates as filed, MVPHIC requests that the GMCB convene a hearing to develop the record on any issues that it believes might be grounds for modification of the rates as filed. To do otherwise would deprive MVPHIC of a meaningful opportunity to be heard.

Description of the Filing

This filing is a premium rate filing for MVPHIC's AgriServices business, which is an association of farmers. This is a grandfathered association and no changes have been made over the past year that would cause the association to lose its grandfathered status. The filing sets forth the annual premium that MVPHIC would charge AgriServices' members for one year starting December 2014. Premium is guaranteed for one year. MVPHIC is requesting an aggregate premium rate increase of 16.0% increase over the December 2013 rates. MVPHIC offers 5 plan options for AgriServices members, and the rate increase varies by plan, ranging from a minimum of .1% to 31.8%. The filing will affect 1,400 lives.

AgriServices utilizes MVPHIC's large group Minimum Premium Plan (MPP) funding arrangement to offer 5 health plan offerings to its member groups. The MPP funding arrangement includes individual stop-loss coverage at a pooling level of \$200,000. For MPP contracts, MVPHIC establishes the expected claim liability and the maximum expected claim liability for each plan offering as well as the fixed monthly retention and stop loss fees. The fixed retention and stop loss fees are billed to AgriServices monthly (i.e. the minimum premium). Actual claims are billed to the group monthly up to the aggregate maximum expected claim liability and monthly surplus and deficits are carried forward throughout the contract period. The maximum expected claim liability for AgriServices is 115%, up from 110% last year.

Fully insured premium equivalents are determined for each benefit plan. The fully insured premium equivalents are derived by adding the expected claim liability, retention fee and stop loss fee along with AgriServices specific fees for each benefit plan. These proposed fully insured premiums are compared to the current (2013) premiums to determine the required increase by plan. Per the request of AgriServices, the composite premium rate increase across all plans is applied to the current rates to derive the final 2014 premium rates filed for approval.

AgriServices has two divisions of association members: Dairyman and ASA. Prior to the 2013 rate development, the fully insured premium rates were derived separately for each group with the expected claim liability as the basis for the Dairyman premium rates and the maximum claim liability as the basis for the AgriServices premium rates. However, the entire population is used in developing the expected claim liability and therefore the fully insured premium rates are computed using the same expected claim liability for both groups. This began in the 2013 filing and is continued in this filing.

Lewis and Ellis Recommendation

L&E recommended that the GMCB approve the rates as filed, saying the filing “does not produce rates that are excessive, inadequate or unfairly discriminatory”. They found MVPHIC’s rate development and medical/RX trend formulas and assumptions to be reasonable and appropriate. Specifically for the rate development, they found that MVPHIC used all of the retention components that had been approved in the prior filing with the exception of contribution to reserves, which was lowered in this filing by 1% (from 3% to 2% - the GMCB approved a 3% contribution to reserves in last year’s filing). The same with the medical/RX trend assumptions – MVPHIC used trends that had just been approved in the 3Q14 and 4Q14 experienced rated large group filing. They found the use of credible experience from MVPHIC’s entire New York and Vermont commercial book of business in deriving the benefit relativity correlation (and adjustments to it) to be reasonable and appropriate. In short, they found all trends, formulas and assumptions to be reasonable and appropriate.

MVPHIC also points out that the Health Care Advocate did not retain an expert in this filing. Therefore, the only two experts are the Board’s own actuary and MVPHIC’s actuaries. L&E and MVPHIC’s actuaries have both agreed that the rates should be approved as filed after considerable and careful analysis of every aspect of the filing. Therefore, the GMCB has no basis on which to conclude that any changes to the rates as filed should be made.

MVPHIC’s Response to the Health Care Advocate

Counsel for the Health Care Advocate contacted MVPHIC asking why the filing has changed from a small group filing previously to a large group filing. MVPHIC responded that nothing had changed, that last year’s filing was submitted as a large group filing, which is evident in the SERFF filing that was submitted as an addendum to the current filing.

Additionally, the Advocate pointed out that in MVPHIC's Memorandum filed October 22, 2013, that MVPHIC stated "This will be the last such filing, as starting in December of 2014, AgriServices members will have to purchase insurance coverage through the Exchange". That was our understanding at the time (there was much confusion at the time as to whether associations could continue to exist or under what circumstances). However, subsequently in our discussions with DFR around grandfathering associations, we were told that an association can continue to exist after repeal of 8 V.S.A. Sec, 4080a(h)(3)(A-C), if it qualifies for grandfathered status. AgriServices qualified for grandfathered status at that time. We confirmed with Phil Keller last week that that interpretation continues. AgriServices continues to qualify for grandfathered status, as nothing in the benefit structure has changed that would cause it to lose grandfathered status. The association is experienced rated but individual plans offered by the association are community rated.

Conclusion

For the reasons stated above, MVPHIC requests that the GMCB approve the rates as filed and as recommended by L&E.

s/ Susan Gretkowski
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Dated: October 6, 2013

CERTIFICATE OF SERVICE

I, Susan Gretkowski, hereby certify that I have served the above Memorandum in Lieu of Hearing on Michael Donofrio, General Counsel to the Green Mountain Care Board, and Lila Richardson and Kaili Kuiper, counsel for the Health Care Advocate, by electronic mail this 6th day of October, 2014.

s/ Susan Gretkowski
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